

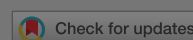
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Patents and R&D expenditure effects on equity returns in pharmaceutical industry

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ABSTRACT

As costs of pharmaceutical R&D soar and productivity falls, the role of research pipelines in firm valuations is changing. To date, surprisingly little work has been published on the effects of R&D pipeline performance on equity returns, while controlling for coincident factors, such as legacy patents and presence of blockbuster drugs in production. Using 1996–2013 data for nine largest pharmaceutical companies in the world, we find that R&D pipeline performance is positively correlated with equity returns, while controlling for coincident factors, such as legacy patents and presence of blockbuster drugs in production. Using 1996–2013 data for nine largest pharmaceutical companies in the world, we find that R&D pipeline performance is positively correlated with equity returns, while controlling for coincident factors, such as legacy patents and presence of blockbuster drugs in production.

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KEYWORDS
factor analysis

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¹ See Herper ([2011b](#))

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